



Department of Justice

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TWO TENNESSEE MEN CHARGED WITH FRAUD RELATED TO \$5.5 MILLION WORTH OF LOANS TO OPERATE BUSINESS IN HICKMAN, KENTUCKY

– Indictment also cites alleged fraud in TVA loan

David L. Huber, United States Attorney for the Western District of Kentucky, and Richard Moore, Tennessee Valley Authority Inspector General, announced that a federal Grand Jury in Paducah returned an indictment today charging **LLOYD AARON SMITH**, age 61, of Dyersburg, Tennessee, and **NEAL GORDON WALL**, age 64, of Newbern, Tennessee, each with 3 counts of bank fraud, one count of mail fraud, and twelve counts of money laundering.

The indictment charges that Smith and Wall during 2003, engaged in two separate fraudulent schemes involving loans they arranged for a textile company they owned and operated during that time in Hickman, Kentucky, called Hickman Mills, Inc. It is alleged in the Indictment that the two defendants obtained a \$5 million loan from The Citizens Bank of Hickman, Kentucky, the proceeds of which, by terms of the loan agreement, could be used only for operating expenses and expenses incurred in purchasing equipment to be used by Hickman Mills, Inc. Despite this limitation, the Indictment alleges the two defendants, within two weeks of receiving the \$5 million in loan proceeds, spent \$834,000 of the monies in ways wholly and substantially unrelated to the business of Hickman Mills, Inc., including making payments on outstanding personal loans with other banks, none of which were related in any way to the

operation of Hickman Mills, Inc., and to pay expenses associated with the operations of another business jointly owned by Smith and Wall.

The Indictment further alleges that during 2003, Smith and Wall applied for and received a \$500,000 loan from the Tennessee Valley Authority, the proceeds of which were to be used solely for the purpose of purchasing 10 specific items of equipment to be used in the operation of Hickman Mills, Inc. It is further alleged in the Indictment that the defendants caused two false and fraudulent documents to be submitted to the Tennessee Valley Authority in support of their application for a \$500,000 loan for Hickman Mills, Inc. One of these documents purported to demonstrate that Smith and Wall owned the 10 items of equipment to be acquired with the loan proceeds through a purchase transaction in April 2002. The second document purported to show that Smith and Wall entered into a contract in July 2003 to sell these same 10 pieces of equipment to Hickman Mills for \$500,000. The indictment alleges that both documents were false and fraudulent. The Indictment further alleges that instead of using the proceeds of the \$500,000 loan received from the Tennessee Valley Authority to purchase the 10 items of equipment specified in the loan agreement, Smith and Wall deposited the monies into an account established with a Tennessee bank in the name of Dyer Fabrics, Inc., another business owned and operated by the two defendants, which was experiencing serious financial difficulties in 2003.

If convicted, the maximum potential penalties facing both Smith and Wall are 230 years imprisonment, a \$6,250,000 fine, and supervised release for a period of 5 years.

The case is being prosecuted by Assistant United States Attorneys Jim Lesousky and Michele Thielhorn, and it was investigated by the Internal Revenue Service, Criminal Investigations, the Tennessee Valley Authority, Office of Inspector General, the United States

Department of Agriculture, Office of Inspector General-Investigations, and the Federal Bureau of Investigations.

Smith and Wall are scheduled to appear for arraignment before the United States Magistrate Judge on September 12, 2007, at 1:30 p.m. in United States District Court in Paducah, Kentucky.

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The indictment of a person by a Grand Jury is an accusation only and that person is presumed innocent until and unless proven guilty.

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